

INTRODUCTION

The Office of Internal Audit performed an audit of Midland County FIA for the period October 1, 2001 through September 30, 2002. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Midland County FIA had 60 full time equated positions (FTE's) at the time of our review. Midland County FIA provided assistance to an average 3,356 recipients per month during FY 2001, with total assistance payments of \$4,005,645 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Hillsdale County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

General Ledger

Safe and Controlled Documents

Payroll and Timekeeping

Employment Support Services

CIS/ASSIST

Cash Disbursements

Modified Accrual Basis Balance Sheet

Procurement Card

State Emergency Relief (SER)

Client Processing

IRS Information Security

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Midland County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did, however, find instances of noncompliance with FIA policies and procedures, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Midland County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated November 26, 2002 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Safe and Controlled Documents

Obsolete Controlled Documents

1. Midland County FIA had obsolete Purchase Order/Invoice forms (FIA-2083) on hand. Accounting Manual Item 403 gives instructions for the destruction of obsolete forms. Keeping obsolete forms on hand increases the risk of these forms being used inappropriately.

WE RECOMMEND that Midland County FIA destroy the obsolete forms in accordance with the instructions in Accounting Manual Item 403.

Payroll and Timekeeping

Payroll Record and Retention

2. The Midland County FIA timekeeper maintained the certified copy of the Time and Attendance Summary Report (HR-332A.) The Primary Internal Control Criteria for

Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that Midland County FIA have the certifier or someone other than the timekeeper retain the HR-332A.

Our review of other areas including Cash Receipts, Cash Disbursements, General Ledger, Modified Accrual Based Balance Sheet, State Emergency Relief, Client Processing, IRS Information Security, Employment Support Services, CIS/ASSIST and Procurement Card revealed no instances of non-compliance with FIA policies or procedures.